

The image shows the front cover of a spiral-bound notebook. The cover has a brown border and a light beige, textured background. On the left side, there is a silver-colored metal spiral binding. The text is centered on the cover in a brown, serif font.

U.S. Department of Education Office of Postsecondary Education

Return of Title IV funds

NASFAA Conference

July 2000

Return of Title IV funds

- ✓ Sec. 485 of the Higher Education Amendments of 1998 - (P.L. 105-244)
- ✓ Sec. 484B of the HEA of 1965, as amended
- ✓ Statute enacted Oct., 7, 1998
- ✓ NPRM published August 6, 1999
- ✓ Final Reg published November 1, 1999
- ✓ Effective October 7, 2000 or earlier if institution chooses

Simply stated:

- ✓ If a recipient of title IV aid withdraws during a payment period (or a period of enrollment), the institution must calculate the amount of title IV aid the student earned. Unearned title IV funds must be returned to the title IV programs.

NEW APPROACH

✓ **Old approach**

- ✓ dictated use of specific refund policies that included all sources of aid.
- ✓ determined amount of institutional charges that a school had earned and not earned.

✓ **New approach**

- ✓ Determines amount of title IV aid a student has earned, the unearned portion is returned

What happens when student withdraws?

- ✓ Determine withdrawal date.
- ✓ Determine amount student earned.
(Don't include FWS or the non-Federal share of FSEOG - see next slide.) (Include amounts that were **or** could have been disbursed.)
- ✓ Return unearned funds to Title IV programs, **or** pay student post-withdrawal disbursement.

Treatment of FSEOG

- ✓ **Individual Matching Fund** where the match is made on the basis of an individual student. ONLY the Fed share is used (75%).
- ✓ **Aggregate Matching Fund** where the school awards institutional or qual. state grants as the match in the aggregate. ONLY the Fed share is used (75%) in calculating the amount of the return.
- ✓ **Fund Specific Matching Fund** where the 25% of school funds are deposited with the 75% Federal funds. Once these are commingled the fund contains 100% FSEOG money, therefore, the amount of the return is based upon 100% of the amount disbursed or could have been disbursed.

Post-Withdrawal Disbursement

- ✓ May credit for institutional charges.
- ✓ For loan funds to be credited - notify borrower and borrower can cancel loan.
- ✓ If not credited - offer to student (with written notification) within 30 days of institution's determination of withdrawal.
- ✓ Student has 14 days to accept - **but** - school can choose to make disbursement after that, if there is a late acceptance.

Post-Withdrawal Disbursement

- ✓ The written notification --
 - identifies the title IV funds not credited to account,
 - explains the ability of the student to accept or decline, and
 - advises about the 14 day deadline for the student to respond. (Then 90 days to disb.)
- ✓ Electronic or written notification regarding the outcome of a post-withdrawal disbursement request.

Crediting the student's account

- ✓ Inst. may credit the student's acct., without permission, to satisfy charges (prior to the WD) for;
 - Tuition & fees
 - Board - if contracted with the school
 - Room - if contracted with the school
- ✓ After obtaining authorization - may credit
 - current charges for educationally related activities
 - minor prior yr. charges that are either less than \$100, or if paid, will not prevent the payment of current educational costs

Withdrawal date (inst. req'd to take attendance)

- ✓ Last date as determined by attendance records.
- ✓ Institution must document withdrawal date.
- ✓ Required = required by outside entity, e.g., -
-accrediting agency, **or**
-state agency.
- ✓ Applicable to those who cease attendance,
do not return from approved leave of
absence, or take an approved LOA

Withdrawal date

(attendance taking not required)

- ✓ Date student began withdrawal process,
- ✓ Date student otherwise provided official notification,
- ✓ Mid-point of PP or Period Of Enrollment,
- ✓ Date institution determines is related to illness, accident, grievous personal loss, etc.,
- ✓ Date of leave of absence, **or**
- ✓ Last date at an academically related activity.

Rescinding withdrawal

- ✓ Institution's choice
- ✓ Written notice required of student that
 - he is continuing in academic activities,
 - and intends to complete the period.
- ✓ Negated if student subsequently ceases to attend prior to the end of
 - the payment period or
 - the period of enrollment.

Approved leave of absence

- ✓ Only one in 12 months (except for LOA's granted for 1.) military reasons, 2.) under the Family and Medical Leave Act of 1993, and 3.) for jury duty),
- ✓ Subsequent leave for unforeseen circumstances (up to 30 days),
- ✓ Total leave days cannot exceed 180,
- ✓ Formal policy that the student and institution followed,

Leave of absence (con't)

- ✓ Reasonable expectation that the student will return (and the student must return by the end of the leave of absence or the student is treated as a withdrawal),
- ✓ No additional institutional charges, **and**
- ✓ The student is permitted to complete the coursework.
- ✓ Must tell Title IV loan recipient that failure to return will affect grace period.

Calculation of amount of aid to be returned

- ✓ Multiply the % of the payment period or period of enrollment completed (or 100% once the student completes >60%) **X** the aid that was disbursed and could have been disbursed. **This is the earned amount.**
- ✓ Subtract the earned amount from the aid disbursed. This is the amount to be returned.

PP or POE

- ✓ For a **standard term based program**, use payment period.
- ✓ For a **non-term based or non-standard term program**, use payment period or period of enrollment.
- ✓ For a **non-term or non-standard term based program**, an institution must consistently use either a PP or POE for all students (in a category) in a particular program. May make a separate selection for transfer/re-entry students.

% of PP or POE completed

✓ For credit hour programs, it =

✓ calendar days* completed
calendar days* in the period

* except
scheduled

✓ For clock hour programs, it =

clock hours completed
clock hours in the period

breaks of
5 consecutive
days or more

(OR)

and days on
approved LOA

clock hours scheduled
clock hours in the period (if $\geq 70\%$)

Note: Excused absences are NOT counted as completed hours

Return of Unearned Aid

Institution returns the **lesser** of --

1) Total Title IV to be returned

(amount disbursed
- amount earned)
or

2.) institutional charges

x percentage not earned

Institutional Charges

- ✓ For a non-term program, where the treatment of title IV aid is calculated on a PP basis, **but** the institutional charges are for a period longer than the PP --
 - the amount of institutional charges incurred for the PP is the **greater** of --
 - the pro rated amount of the charges, **or**
 - the amount of title IV aid retained for institutional charges.

Return of title IV funds

✓ Student Responsibility

- Total amount of unearned title IV aid - Amount institution is required to return = Amount for which the student is responsible.
- Student returns his or her share to --
 - Title IV loan programs in accordance with the terms of the loan
 - Title IV grant programs as an overpayment (only up to 50% of the amount of the overpayment).

Return of title IV funds

✓ Student Responsibility, (cont'd)

✓ **Title IV grant overpayment**

- Student remains title IV elig. thru 45 days, if the student -
 - repays the overpayment in full to the institution,
 - makes repayment arrangements satisfactory to the institution, or
 - signs a repayment agreement w/ the Secretary which will include terms that permit continued elig. while in repayment.

Student's Overpayment (con't)

✓ Student in overpayment **remains eligible**

- (generally) for 45 days **or**
- until he fails to meet terms of repayment agreement.
- beyond the 45 days, if he
 - repays in full, **or**
 - enters into repayment agreement with either the inst or the secretary.

Return of Title IV funds

✓ 1.) Loans

- Fed. Unsubsidized
- Fed. Subsidized
- FPerkins
- FPlus

2.) Grants (& Other)

- FPell
- FSEOG
- Other title IV

- ✓ Institution must return the funds ASAP,
 - but no later than 30 days after the institution determines withdrawal date.

Return of funds (con't)

- ✓ Institution must determine the withdrawal date (for a student who does not provide notification) --
 - no later than 30 days after the expiration of the earlier of --
 - PP or POE,
 - the academic year, or
 - the educational program.

Consumer Information

- ✓ Institution must provide information about the return of title IV funds when a student withdraws per § 668.44 (.43 in new regs).
- ✓ § 668.43 requires information about --
 - any refund policy with which the institution is required to comply,
 - requirements for officially withdrawing,
 - summary of requirements of § 668.22.

Definitions

✓ **“Could have been disbursed”** =

late disbursement provisions of

§668.164(g)

- received SAR/ISIR w/ EFC
- FFEL/DL loan was certified/originated
- FPerkins/FSEOG aid was awarded

✓ **“Period of enrollment”** = academic period for which charges are assessed, i.e., the program or academic year

Definitions con't

✓ **“Date institution determines withdrawal”**

(when student provides notification) =

the later of

-- the withdrawal date **or**

-- the date of notification of
withdrawal.

(student does not provide notification) =

the date the institution becomes aware that the
student ceased attendance.

Definitions con't

✓ **“Date institution determines withdrawal”**
(when student does not return from leave
of absence) =

the earlier of --the expiration of the leave **or**
-- the date the student notifies
the institution that he will
not be returning.

Definitions con't

✓ **“Date institution determines withdrawal”**
(for a student whose rescission of his
notification to withdraw is negated by the
fact that he subsequently stops attending
the institution) =

-- the date the institution becomes aware
that the student did not or will not complete
the PP or POE.

R2T4 software

- ✓ Available in Spring, 2000.
- ✓ Financial Aid community involvement in design and testing.
- ✓ Use of the software is not required.
- ✓ Software is free!